

Appendix A Finance and Business

Business Planning Help

Kentucky Farm Business Management Program

<http://www.uky.edu/Agriculture/AgriculturalEconomics/farmmgmt.html>

University Of Kentucky

Department of Agricultural Economics

431 Agricultural Engineering Building #2

Lexington, KY 40546-0276

(606) 257-5762

The Kentucky Farm Business Management Program (KFBM) program helps farmers maintain financial performance, determine the profitability of individual enterprises, improve management practices, complete tax returns, establish financial and production goals, and make sound farming decisions. The program is financed by the UK College of Agriculture, Department of Agricultural Economics, which provides nine program specialists spread across six areas of Kentucky, and farmers' fees range from \$450 to \$1200 annually. In return, the specialists provide automated record keeping, one-on-one counseling, prepared financial statement, tax records, and comparison crop and livestock analyses. Workshops on the following farm management topics are offered: goal setting, decision-making, record keeping, balance sheet, income statement, cash flow, enterprise budget, and farm planning.

Kentucky Small Business Development Centers

<http://gatton.gws.uky.edu/KentuckyBusiness/ksbds/ksbdc1.htm>

State SBDC Office

Kentucky Small Business Development Center

225 C.M. Gatton Business & Economics Building

Lexington, KY 40506-0034

(606) 257-7668

SBDC provides training, counseling and educational materials to those needing assistance in developing their small business, including agricultural businesses. The state office is located in Lexington. Offices in Elizabethtown, Lexington, Hopkinsville, Bowling Green, Ashland, Owensboro, Murray, Pikeville, and at Bellarmine College, University of Louisville, Morehead University, Northern Kentucky University, Southeast Community College, and the Center for Rural Development in Somerset make-up the network in 18 locations. Workshops are offered on such topics as bookkeeping, cash-flow systems, tax set-up processes, and how to write a business plan.

Kentucky Cabinet for Economic Development

<http://edcweb/kyedc/startup.html>

Business and Entrepreneurship Development Division

Business Information Clearinghouse

2200 Capital Plaza Tower

500 Mero Street

Frankfort, KY 40601

(800) 626-2250

Sources of Finance for Aquaculture Operations

Community Farm Alliance Loan Fund

<http://www.communityfarmalliance.com>

624 Shelby Street

Frankfort, KY 40601

(502) 223-3655

A loan program operated by Community Farm Alliance offering loans from \$1,000 to \$15,000, depending on the amount of money in the Fund. The Fund was started in 1991 and makes operating, equipment and livestock loans to farmers unable to obtain financing from other sources. Interest rates range from 9% and 11% with loan fees the responsibility of the farmer. Collateral is required equal to the loan value with flexible terms of 1 to 3 years repayment.

Community Ventures

1450 N. Broadway

Lexington, KY

(606) 231-0054

This micro-loan program offers SBA guaranteed loans, which may be available to farm-based businesses, not necessarily agriculture.

Kentucky Cabinet for Economic Development

<http://edcweb/kyedc/kedfa.html>

Kentucky Economic Development Finance Authority

24th Floor, Capital Plaza Tower

Frankfort, KY 40601

(502) 564-4554

- § **Kentucky Economic Development Finance Authority (KEFDA) Direct Loan Program**
– Available for agribusiness ventures, but not retail projects and the amount of the loan awarded is directly related to the number of jobs created. KEFDA may loan up to 45% of total project but the applicant must have 10% already invested. Minimum loan amount is \$25,000 and

maximum is \$500,000 with a fixed interest rate from one to five percent (1%-5%) depending on the term of the loan. Loans are only for land, buildings or equipment, not for operating expenses. An applicant should contact a local bank to discuss KEFDA eligibility and a \$500 fee must be submitted with the application.

Kentucky Highlands Investment Corporation (funded under SBA)

<http://www.ezec.gov/homepages/rural/Kentucky/khci.html>

(606) 864-5175

Lending programs offered by KHIC are targeted to selected counties in southeastern Kentucky.

- § **Micro-Enterprise Loan Fund** – Available to individual or cooperative applicants in the KHIC service area of Bell, Clay, Clinton, Harlan, Jackson, Knox, Laurel, McCreary, Pulaski, Rockcastle, Wayne and Whitley Counties. The funds are available for applicants unable to obtain bank credit, who meet SBA's standards of small businesses. For example, value-added processing of farm products would be eligible, but on-farm processing would not. The maximum loan amount is \$25,000 and the term is a maximum of six years. Interest rate is 10-12% and all financial records, test marketing and a business plan need to be in order.
- § **Appalachian Capital Corporation Loan Fund** – Available to businesses located in the KHIC service area of Bell, Clay, Clinton, Harlan, Jackson, Knox, Laurel, McCreary, Pulaski, Rockcastle, Wayne and Whitley Counties. Agricultural projects are not eligible, but processing of value-added farm products would qualify. Loan amounts are \$150,000 or 75% of the project cost, whichever is less, and can be used for purchase of fixed assets and/or working capital. A \$500.00 processing fee is charged at the time of application and the interest rate is negotiable.

Sustainable Agriculture Research and Education (SARE)

<http://www.sare.org/san/htdocs/sare/about.html>

Southern Region SARE

1109 Experiment Station, Room 205

Griffin, GA 30223-1797

(770) 229-3350

Administered through the Southern region host institutions, SARE offers competitive producer grants funded through USDA. Grants are for up to three years for a total of \$10,000 and cover costs associated with testing or demonstrating a new idea, crop, system or technique. Applicants are expected to match requested funds. Applicants to diversify, start or expand a farm business are not funded.

Tobacco Communities Reinvestment Fund

Commodity Growers Cooperative Assoc.

620 S. Broadway, Suite 206

Lexington, KY 40508

(606) 233-7845

Funded by the Kentucky Office of Attorney General, and administered through Commodity Growers Cooperative, mini grants and micro-loans are available to farmers and farm groups seeking to diversify

their farm operations. Strong consideration is given to tobacco farmers, small farmers, and farm applicants residing in the fifteen (15) county identified by the Kentucky Long-Term Policy Research Center as the most highly tobacco-income dependent counties in Kentucky and U.S., and groups of farmers working in cooperation. Grants range from \$500 up to \$10,000. Micro-loans are also available.

Kentucky Department of Agriculture

<http://www.kyagr.com>

500 Mero Street

7th Floor

Frankfort, KY 40601

(502) 564-4696

- § **Linked Deposit Program** – The Linked Deposit Program provides funds to qualified Kentucky financial institutions through the Abandoned Properties Account. These funds are then offered to eligible borrowers at a reduced interest rate. The program funds can be used for diversification, land acquisition, expansion of facilities or buildings, as well as the purchase of livestock, poultry, seeds, fertilizers, machinery, equipment, and the export of agricultural products. The maximum amount available to an individual borrower is \$100,000, and at least half of annual gross income must come from farming in order to qualify.
- § **Value-Added Grants Program** – Grants are awarded to non-profit organizations on behalf of Kentucky agriculture producers. The purpose of the program is to enhance marketing opportunities that increase the value of agricultural products through production and/or marketing-based practices. A 30 percent match of funds is required from the applicant. Grants have been awarded for cooperative marketing and processing ventures, livestock sales and handling equipment, value-added product research, forage improvement programs, shared equipment, and other projects that benefit multiple farms.

Kentucky Farm Bureau

- § **Farm Income Improvement Foundation (FIIF)** – The FIIF was established to provide assistance to agriculture producers in Kentucky, Tennessee, Virginia, North Carolina, Indiana, Ohio, and Missouri. The foundation is directed by a 16-member board, the president of the Kentucky Farm Bureau serves as president of the foundation. Funds for FIIF come from different sources. Grant criteria is written for each program to comply with requirements of the various funding sources.

Federal Agencies

Farm Services Agency Farm Loan Programs

<http://www.fsa.usda.gov/dafl/flphome.html>

Kentucky State FSA Office

771 Corporate Drive

Suite 100

Lexington, KY 40503-5478

(606) 224-7601

Farm Services Agency offers direct and guaranteed farm ownership and operating loan programs to farmers who are temporarily unable to obtain private, commercial credit. Often, these are beginning farmers who can not qualify for conventional loans because they have insufficient financial resources. The Agency also helps established farmers who have suffered financial setbacks from natural disasters, or whose resources are too limited to maintain profitable farming operations. Applicants unable to qualify for a guaranteed loan may be eligible for a direct loan from FSA.

- § **Farm Ownership Loan** – May be used to purchase farms, construct farm dwellings or service buildings and/or develop land and water resources. Limitation is \$200,000 for direct loans and \$700,000 for guaranteed loans. These may be scheduled for a period of up to 40 years. Interest rate is a fixed rate established at time of loan approval.
- § **Farm Ownership Joint Financing Plan** – May be used to assist beginning farmers and ranchers entering agriculture to purchase a farm or ranch. FSA will lend up to 50% of the purchase price at a fixed interest rate of 5% and the applicant obtains the other 50% from another lender.
- § **Farm Operating Loan** – May be used for the purchase of livestock and equipment, for annual operating and family living expenses, and for refinancing debts related to the operation of the farm. Limitation is \$200,000 and may be scheduled for a period of up to 7 years (except for annual operating and living expenses, which must be paid back in one year). Interest rate is a fixed rate established at time of loan approval.
- § **Beginning Farmer and Rancher Farm Ownership Loans** – May be used to purchase farms, construct farm dwellings or service buildings and/or develop land and water resources. Limitation is \$200,000 and may be scheduled for a period of up to 40 years. Beginning farmer or rancher must have operated a farm or ranch for at least 3 years, but not more than 10 years. Beginner does not own farm property totaling more than 25% of the average county farm acreage. If applicant is a business entity, all members must be related by blood or marriage.
- § **Beginning Farmer and Rancher Farm Operating Loan** – May be used for the purchase of livestock and equipment, for annual operating and family living expenses, and for refinancing debts related to the operation of the farm. Limitation is \$200,000 and may be scheduled for a period of up to 7 years (except for annual operating and living expenses, which must be paid back in one year). Interest rate is a fixed rate established at time of loan approval. Beginning farmer or rancher must have operated a farm or ranch for 5 years or less. If applicant is a business entity, all members must be related by blood or marriage.
- § **Beginning Farmer and Rancher Downpayment Farm Ownership Loan Program** – May

be used to assist beginning farmers and ranchers entering agriculture to purchase a farm or ranch. Also provides a means for retiring farmers to transfer their land to a future generation of farmers and ranchers. Applicant makes cash downpayment of at least 10% of purchase price. FSA provides a maximum of 30% of purchase price (or appraised value, whichever is less) for 10 years at fixed 4% interest rate. The remaining 60% of purchase price can be obtained from private lender (FSA will guarantee 95% if from an eligible commercial lender). Purchase price or appraised value, whichever is lower, may not exceed \$250,000. Beginning farmers and ranchers are given first priority to purchase FSA acquired properties at appraised market value for the first 75 days after acquisition.

- § **Emergency Loan** – May be used for either operating or real estate purposes if the county in which the applicant operates is declared a disaster area. A production loss loan applicant must have incurred a 30% loss in any one commodity. Physical losses are primarily damage to equipment, livestock, buildings or land itself. Terms of loan are from one to 40 years and based on actual dollar loss due to disaster. Cumulative emergency loan limit is \$500,000 per borrower and the interest rate is 3.75%.
- § **Youth Project Loans**

USDA Rural Development Office

771 Corporate Drive
Suite 200
Lexington, KY 40503
(606) 224-7435

A branch of USDA that mainly offers grants and loans for large endeavors (community development block grant, business and industrial loan program).

- § **Business and Industry Direct Loan** – Available in rural areas, this includes all areas other than cities or unincorporated areas of more than 50,000 people and their immediately adjacent urban or urbanizing areas. The maximum aggregate B&I Direct Loan amount to any one borrower is \$10 million. It provides loans to public entities and private parties who can not obtain credit from other sources.
- § **Business and Industrial Guaranteed Loan Program** – Available in populations of less than 50,000 people for applicants that are not eligible for FSA programs. Agriculture requirements include loan amounts not more than \$1 million with 80% guarantee, and there is no minimum loan amount. Ten percent must be down on an existing business and 20% down on a new business. Terms are 30 years for land and building, 15 years for equipment and 7 years for capital. Past history of agriculture related loans have been to vertically integrated farm projects.
- § **Intermediary Relending Program Loans** – Loan funds available to nonprofit agencies or public government to finance business facilities and community development projects in rural areas
- § **Rural Business Enterprise Grants** – Grant funds available to nonprofit agencies or public government to finance revolving loan programs or develop infrastructure for rural areas.
- § **Rural Business Opportunity Grants** – Funds provide for technical assistance, training, and planning activities that improve economic conditions in rural areas. Applicants must be lo

cated in rural areas, which includes all areas other than cities of more than 10,000 people. Non-profit corporations and public bodies are eligible for a maximum of \$1.5 million per grant authorized by the legislation.

- § **Rural Economic Development Loans and Grants** – Loan and grant funds available to Rural Utilities Service electric and telephone borrowers who use the funds to provide financing for business and community development projects.

Small Business Administration

<http://www.sba.gov>

SBA – District Office

600 Dr. M.L. King Jr. Place

Room 188

Louisville, KY 40202

(502) 582-5971

Available through commercial lenders, the U.S. Small Business Administration guarantees long-term loans made available to start to expand a business. Although not highly publicized, SBA likes farmer applicants, as they have had a high success rate in the past. If the applicant is an agricultural enterprise (business engaged in the cultivation of soil, producing crops, and raising livestock), then the applicant should first apply for USDA administered loans, and if denied or ineligible, then apply through SBA. If the applicant is a farm-related business that supplies goods or services primarily used in connection with farming, SBA will take applications directly.

- § **7(a) Loan Program** – Guarantee to lender is 80% of amount up to \$100,000 and 75% of \$100,000 through \$750,000 maximum guarantee. Interest rate cannot exceed 2.75 over prime, although loans under \$50,000 have higher interest rates. Terms are up to 25 years for land, 15 years for equipment, 7 years for furniture and fixtures and 5-10 years for working capital. Farmer eligibility includes: less than \$500,000 annual income with livestock and crops, less than \$9 million with poultry, and less than \$5 million with other experiences.
- § **Specialized 7(a):SBA LowDoc** – Designed to increase the availability of funds under \$150,000 and streamline/expedite the loan review process.
- § **Specialized 7(a):SBA Express** – Designed to increase the capital available to businesses seeking loans up to \$150,000, but is currently offered as a pilot with a limited number of lenders.
- § **Specialized 7(a):CAPLines** – An umbrella program to help small businesses meet their short-term and cyclical working-capital needs with five separate programs.
- § **Specialized 7(a):International Trade** – If your business is preparing to engage in or is already engaged in international trade, or is adversely affected by competition from imports, the International Trade Loan Program is designed for you. Taylor Co., Kentucky is eligible.
- § **Specialized 7(a):Export Working Capital** – Designed to provide short-term working capital to exporters in a combined effort of the SBA and the Export-Import Bank.
- § **Specialized 7(a):Pollution Control** – Designed to provide loan guarantees to eligible small business for the financing of the planning, design, or installation of a pollution control facility.
- § **Specialized 7(a): Qualified Employee Trust** – Designed to provide financial assistance to Employee Stock Ownership Plans.

- § **Certified Development Company (504 Loan) Program** – This program, commonly referred to as the 504 program, makes long-term loans available for purchasing land, buildings, machinery and equipment, and for building, modernizing or renovating existing facilities and sites.
- § **Specialized 7(a):Women’s Prequalification Loan Program** – An applicant’s business must be 51% owned, operated and managed by women and a maximum loan amount is \$250,000. Loans are 7(a) and SBA will guarantee up to 75% of the loan, 80% on loans of \$100,000 or less. An applicant must work with a non-profit professional organization in preparing a business plan and completing the loan application. Terms are up to 25 years for land, 10 years for machinery and equipment, and between 5 and 10 years for working capital.
- § **Specialized 7(a):Minority Prequalification Loan Program** – Similar to Women’s PreQual Loan Program, although for-profit organizations may be involved as the intermediary. An applicant must be 51% owned, operated and managed by people of ethnic or racial minority.
- § **7(m) MicroLoan Program** – A SBA program that makes funds available to non-profit intermediaries which in turn offer \$100 to \$25,000 micro loans. Average loan size is \$10,000. In Kentucky, the Kentucky Highlands Investment Corporation and Community Ventures offer loans under this SBA program.